

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

* * * * *

In the Matter of:

AN ADJUSTMENT OF RATES OF)
PARKSVILLE WATER DISTRICT) CASE NO. 8907

O R D E R

IT IS ORDERED that Parksville Water District ("Parksville") shall file an original and eight copies of the following information with this Commission by January 27, 1984. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

1. For the test period ended May 31, 1983, provide a balance sheet prepared in accordance with the format established by the Uniform System of Accounts for Class C and D Water Utilities.

2. For each month during the test period, provide the total amount of water sales per customer bills.

3. According to the explanation of pro forma adjustments, as detailed on page I-4 of the application, Parksville anticipates revenues in the amount of \$1,750 will be generated from bulk sales of water, reflecting a sales level of 500,000 gallons at a proposed rate of \$3.50 per 1,000 gallons. Provide the basis upon which the estimated annual sales were determined.

4. For each month during the test period, provide a copy of the following:

- a) the utility bill from Kentucky Utilities.
- b) the utility bill from Inter-County RECC.
- c) the water bill from the City of Danville.

5. For each of Parksville's employees, provide the following:

- a) name and job title.
- b) description of duties and responsibilities.
- c) salary at the beginning of the test period.
- d) salary at the end of the test period.
- e) description and amount of employee benefits received.
- f) the account in which the annual salary or wage is reported.

6. According to the application, Parksville has proposed an adjustment to administrative and general salaries in the amount of \$2,400 to reflect the total annual amount of a \$50 monthly fee which Parksville approved for each of its commissioners, retroactive to July 1, 1983. The Commission, in its Order dated May 21, 1982, in Case No. 8365, An Adjustment of Rates of Parksville Water District, disallowed a similar adjustment, basing the disallowance upon Parksville's "lack of prudent management in allowing excessive line losses, maintaining inadequate records, estimating water sales data, and providing untimely and inaccurate filings of information with the Commission." In addition, the Commission advised Parksville that it should refrain from paying salaries to its commissioners until adequate proof could be presented reflecting improvements in Parksville's management and

operations. Therefore, with regard to these facts, cite the improvements that have been realized in the aforementioned management areas to substantiate the payment of monthly salaries to Parksville's commissioners.

7. With further reference to the management of Parksville's operations, provide the following:

- a) name of each commissioner.
- b) duties and responsibilities of each commissioner.
- c) the approximate number of hours the commissioners spend each month in the management of Parksville's operations.
- d) details as to the scheduling of regular monthly meetings of Parksville.

8. With regard to the proposed adjustment in the amount of \$4,450 to Account II-B-4, Maintenance of Mains, provide the following information:

- a) a copy of the agreement between Parksville and W. G. Feather and Son ("Feather"), whereby Feather was authorized to pay the invoice amounts associated with these maintenance expenses.
- b) the amount of these expenses reimbursed to Feather as of the date of this Order.
- c) details regarding the reason(s) that the invoices presented in documentation of these expenses are billed to Feather, rather than to Parksville.
- d) details as to whether these invoice amounts have been recorded as accounts payable by Parksville.

9. With regard to the proposed adjustment to Outside Services to reflect the expense associated with an annual legal retainer in the amount of \$900, provide complete details as to the type of services, including the necessity thereof, which will be provided under the terms of the retainer.

10. With regard to the proposed adjustment to Outside Services to reflect expenses in the amount of \$3,850 associated with the filing of this rate adjustment application, provide the following information:

- a) a detailed description of the specific services performed in the preparation of the application.
- b) a breakdown of the number of hours associated with each specific service.
- c) the hourly rate charged per each specific service.

11. According to page I-7 of the application, Parksville's three notes payable to Farmers Bank of Danville in the total amount of \$27,500 have been "rolled over" for additional 6-month terms. It is further indicated that Parksville is proposing to retire this debt over a period of 3 years. With regard to this proposal, provide complete details concerning Parksville's renegotiation of the terms and conditions of these notes with Farmers Bank of Danville.

12. According to page I-2 of the application, the three notes payable secured with Farmers Bank of Danville were necessary to offset operating deficits. Therefore, provide complete details regarding the utilization of the proceeds of each loan.

13. According to the test period comparative statement of income, the principal payments on the 1966 bond ordinance, as well as the principal payments on the debt to Farmer's Bank of Danville, have been classified as deductions to income. Provide the basis for the classification of these principal payment amounts as expenses on the income statement.

14. With regard to the proposed adjustment to operating expenses in the amount of \$4,250 to reflect one-sixth of the cost associated with the maintenance of Parksville's two standpipes (expense to be amortized over a period of 6 years), provide the computations that were made to determine this amount.

15. In determining the revenue requirements of utilities within its jurisdiction, the Commission has primarily utilized four methods to derive a utility's allowed earnings. These methods are: rate of return on net investment or capital, debt service coverage, times interest earned ratio, and operating ratio. The method most frequently used for determining the revenue requirements of water districts and associations has been the debt service coverage method. Therefore, provide the method which Parksville utilized to determine its test period revenue requirements. Also, cite any comments that Parksville may wish to extend in regard to the Commission's use of debt service coverage in the determination of revenue requirements.

16. In Case No. 8365, information shows approximately 726 customers served by Parksville. The present case indicates 769 customers are being served, an increase of 43 customers. Are

these new customers added to the Parksville system? If not, explain.

17. In Case No. 8365, it was found that approximately 75 meters were inoperable.

- a) Have these meters been repaired or replaced?
- b) How many meters are inoperable at the present time?
- c) Has any adjustment been made to the billing analysis to reflect unrecorded usage resulting from inoperable meters?

18. Pages II-1 and II-4&5 indicate no major leaks have been found in the system and that there are many "dead" meters. How much of Parksville's unaccounted for water is attributable to dead or inoperable meters?

19. Revenue from metered water sales of \$113,671 is shown on the Comparative Income and Expense Statement filed November 18, 1983. The billing analysis shows revenues of \$112,094, a difference of \$1577. Please explain.

20. Page I-28 indicates 22 meters were set during the test period with billing on May 31, 1983. Page I-42 indicates 59 meters for which no connection fee was paid to the utility. Page III-3, Water Utility Plant in Service, does not show any addition to plant for meter installation.

- a) How many new meters were set during the test period? Were these new customers or replacement meters?
- b) What amount was collected in connection fees during the test year?

c) What is the resulting addition to plant from the new meters?

21. The billing analysis submitted is based on an average month. Page II-6 of the application shows that the total gallons sold during the test period fluctuate substantially from month to month, indicating that use of an average month would not accurately reflect actual usage and revenue to be generated by such usage. Please submit a revised billing analysis showing actual usage for the 12-month test period prepared in accordance with the instructions in Appendix A to this Order.

Done at Frankfort, Kentucky, this 10th day of January, 1984.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE NO. 8907 DATED 1/10/84

BILLING ANALYSIS

The billing analysis is the chart reflecting the usage by the customers as well as the revenue generated by a specific level of rates. A billing analysis of both the current and proposed rates is mandatory for analysis of a rate filing. The following is a step-by-step description which may be used to complete the billing analysis. A completed sample of a billing analysis is also included.

a. Usage Table (Usage by Rate Increment)

Information needed to complete the usage table should be obtained from the meter books or other available usage records. The usage table is used to spread total usage into the proper incremental rate step. Initial recording of usage should be in 100 gallon increments. Where there are only a few very large users or contract customers, actual usage should be used. Usage between 0-100 gallons should be shown as 100, between 101-200 as 200, etc. The usages and customers are then combined for purposes of the usage table as follows:

Column No. 1 is the incremental steps in the present or proposed rate schedule for which the analysis is being made. Column No. 2 is the number of bills in each incremental rate step. Column No. 3 is the total gallons used in each incremental rate step. Columns Nos. 4, 5, 6, 7, 8 and 9 are labeled to correspond to the incremental rate steps shown in Column No. 1 and contains the actual number of gallons used in each incremental rate step.

Example for completing Usage Table is as follows:

Column No. 1 is incremental rate steps.

Columns No. 2 and 3 are completed by using information obtained from usage records.

Columns No. 4, 5, 6, 7, 8, and 9 are completed by the following steps:

Step 1: 1st 2,000 gallons minimum bill rate level
432 Bills
518,400 gallons used
All bills use 2,000 gallons or less,
therefore, all usage is recorded in
Column 4.

Step 2: Next 3,000 gallons rate level
 1,735 Bills
 4,858,000 gallons used
 1st 2,000 minimum x 1,735 bills = 3,470,000
 gallons - record in Column 4
 Next 3,000 gallons - remainder of water over
 2,000 = 1,388,000 - record in Column 5

Step 3: Next 10,000 gallons rate level
 1,830 Bills
 16,268,700 gallons used
 1st 2,000 minimum x 1,830 bills = 3,660,000
 gallons - record in Column 4
 Next 3,000 gallons x 1,830 bills = 5,490,000
 gallons - record in Column 5
 Next 10,000 gallons - remainder of water over
 3,000 = 7,118,700 gallons - record in
 Column 6

Step 4: Next 25,000 gallons rate level
 650 bills
 15,275,000 gallons used
 1st 2,000 minimum x 650 bills = 1,300,000
 gallons record in Column 4
 Next 3,000 gallons x 650 bills = 1,950,000
 gallons record in Column 5
 Next 10,000 gallons x 650 bills = 6,500,000
 gallons - record in Column 6
 Next 25,000 gallons - remainder of water over
 10,000 gallons = 5,525,000 gallons - record
 in Column 7

Step 5: Over 40,000 gallons rate level
 153 bills
 9,975,600 gallons used
 1st 2,000 minimum x 153 bills = 306,000
 gallons - record in Column 4
 Next 3,000 gallons x 153 bills = 459,000
 gallons - record in Column 5
 Next 10,000 gallons x 153 bills = 1,530,000
 gallons - record in Column 6
 Next 25,000 gallons x 153 bills = 3,825,000
 gallons - record in Column 7
 Over 40,000 gallons - remainder of water over
 25,000 = 3,855,600 gallons - record in
 Column 8

Step 6: Total each column for transfer to Revenue
 Table.

b. Revenue Table (Revenue by Rate Increment)

Revenue Table is used to determine the revenue produced from the Usage Table. Column No. 1 is the incremental rate steps in the rate schedule for which the analysis is being made. Column No. 2 indicates the total number of bills. Column No. 3 is the number of gallons accumulated in each rate increment (Totals from Columns 4, 5, 6, 7 and 8 of the above usage table). Column No. 4 is the rates to be used in determining revenue. Column No. 5 contains revenue produced.

Example for completing Revenue Table is as follows:

Complete Columns no. 1, 2 and 3 using information from Usage Table.

Complete Column No. 4 using rate either present or proposed.

Column No. 5 is completed by first multiplying the bills times the minimum charge.

Then, starting with the second rate increment, multiply Column No. 3 by Column No. 4 and total.

Revenue from Present/Proposed Rates

Test Period from 1-1-81 to 12-31-81

USAGE TABLE Usage by Rate Increment

S: Residential

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
	Bills	Gallons/MCF	1st 2,000	Next 3,000	Next 10,000	Next 25,000	Over 40,000	To
2,000: Minimum Bill	432	518,400	518,400					5
3,000 Gallons	1,735	4,858,000	3,470,000	1,308,000				4.8
10,000 Gallons	1,830	16,268,700	3,660,000	5,490,000	7,118,700			16.2
25,000 Gallons	650	15,275,000	1,300,000	1,950,000	6,500,000	5,525,000		15.2
40,000 Gallons	153	9,975,600	306,000	459,000	1,530,000	3,825,000	3,855,600	9.9
Total	4,800	46,895,700	9,254,400	9,287,000	15,148,700	9,350,000	3,855,600	46.8

REVENUE TABLE

Revenue By Rate Increment

(1)	(2)	(3)	(4)	(5)
	Bills	Gallons/MCF	Rate	Revenue
2,000: Minimum Bill	4,800	9,254,400	\$5.00 Min.	\$24,000.00
3,000 Gallons		9,287,000	2.50	23,217.50
10,000 Gallons		15,148,700	2.00	30,297.40
25,000 Gallons		9,350,000	1.25	11,687.50
40,000 Gallons		3,855,600	.75	2,891.70
				\$92,094.10 Total Revenue